

Message Text

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73

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 ABF-01 NSC-07 SS-20

STR-08 CEA-02 PA-04 PRS-01 SSO-00 NSCE-00 USIE-00

INRE-00 ARAE-00 DRC-01 /144 W
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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 3514

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EO 11652: N/A

TAGS: EFIN, MX

SUBJECT: PESO EXCHANGE RATE

REF: MEXICO 7287

PASS TREASURY & FEDERAL RESERVE

1. WHILE NOT RECEIVING AS MUCH PUBLICITY AS LABOR'S WAGE DEMANDS, POSSIBILITY OF A CHANGE IN DOLLAR-PESO PARITY IS MAJOR SUBJECT OF PRIVATE CONVERSATION AND PUBLIC DISCUSSION OF THIS IS INCREASING. LOCAL RADIO STATION REPORTEDLY BROADCAST REPORT THIS MORNING TO EFFECT THAT PESO WOULD BE DEVALUED OVER THE WEEKEND.

2. UNDER-SECRETARY OF TREASURY, RAMON BETETA SAID YESTERDAY IN WIDELY REPORTED RESPONSE TO QUERY ON POSSIBLE DEVALUATION, QUOTE I DON'T BELIEVE SO." (NO CREO). HE WENT ON TO SAY THAT DEVALUATION WOULD NOT INCREASE EXPORTS UNLESS PRODUCT QUALITY WAS IMPROVED. ALSO SAID THAT PURCHASING POWER OF PESO HAS NOT DECLINED.

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3. WE ALSO HAVE UNCONFIRMED REPORTS THAT SOME BANKS IN U.S. ARE REFUSING TO BUY PESOS. WE ARE ATTEMPTING TO CHECK LOCALLY AND WOULD APPRECIATE ANY INFORMATION WASHINGTON MAY HAVE.

4. MANAGER OF FNCB BELIEVES THAT REPORTS ARE UNFOUNDED, BUT CRITICIZED BETETA'S STATEMENT AS VERY WEAK AS HAVE OTHER SOURCES IN FINANCIAL COMMUNITY.

5. THESE RUMORS MAY LIKELY INCREASE SHORT-TERM CAPITAL FLIGHT AND AGGRAVATE BANK OF MEXICO-'S RESERVE POSITION. THE RUMORS PROBABLY ANTICIPATE A DEVALUATION IN CONNECTION WITH PRESIDENT'S ANNUAL INFORME, TO BE GIVEN APRIL 1.

6. COMMENT: WHILE WE HAVE NO REPEAT NO REASON TO BELIEVE THAT GOM HAS TAKEN DECISION TO DEVALUE ON ECONOMIC GROUNDS, SHORT-TERM CAPITAL FLIGHT MAY BE SUCH TO FORCE A DEVALUATION OR, AT LEAST, GREATER RECOURSE TO BANK OF MEXICO'S RESERVES.

7. JUST RECEIVED CONFIRMATION OF KIDNAPPING OF PRESIDENT ECHEVERRIA'S FATHER-IN-LAW WILL CERTAINLY AGGRAVATE MATTERS.
JOVA

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORTS, PROCUREMENT, REPORTS, PRICE TRENDS, FOREIGN EXCHANGE RATES, DEVALUATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 28 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MEXICO07344
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740238-0629
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740812/aaaaajmt.tel
Line Count: 83
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: MEXICO 7287
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 18 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 SEP 2002 by boyleja>; APPROVED <26 FEB 2003 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PESO EXCHANGE RATE
TAGS: EFIN, MX, (BETETA, RAMON)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005